

Kentucky Agricultural Development Board

Minutes of the August Board Meeting

The regular meeting of the Kentucky Agricultural Development Board was held on **Friday, August 16, 2002** at **10:30 a.m.**, at the Kentucky Fair & Exposition Center in Louisville, KY. Commissioner Billy Ray Smith, Vice-chairman, presiding, called the meeting to order, and the Secretary called the roll.

Members Present

Commissioner Billy Ray Smith, Vice Chairman; John-Mark Hack, Executive Director; Vickie Yates Brown; Daniel Case; Susan Harkins; Wayne Hunt; Sam Lawson; Sam Moore; Eddie Sellers; Smith Mitchell designee for Secretary Gene Strong; and Dean Scott Smith

Members Absent

Governor Paul E. Patton, Chairman; Larry Clay; Seth Conner; Willa H. Poynter; and Mike Slaughter

Others Present

Staff - David Bratcher; Penny Cline; Gordon Duke; Sandra Gardner, Board Secretary; DeVon Hankins; Bruce Harper; Jeff Harper; Rhodes Johnston; Kara Keeton; Bill McCloskey; Chauncey Morris; Jeff Mosley; Joel Neaveill; Angela Utterback; and Stephen Yates **Guests** – Bryan P. Alvey, KY Farm Bureau; Linda & Jimmy Baird; Sharon Burton, The Farmer's Pride; Maner Ferguson, Purchase of Development Rights program; Margaret Graves, Rural Land Mgmt. Board; Doug Greene, Lexington-Fayette Urban County Government; Carole Gundersen, Community Farm Alliance; Jackie Hanulb, CJ Advertising; Beverly Lawson; Connie Miller, CJ Advertising; Mayor Pam Miller, Lexington-Fayette Urban County Government; Don Slagel; Larry Snell, Kentucky Center for Cooperative Development

Notification of Media

Commissioner Smith received verification from John-Mark Hack that the media had received notice regarding the Agricultural Development Board meeting.

Welcome

Commissioner Billy Ray Smith welcomed everyone and provided a synopsis of State Fair events for the day.

Approval of Minutes

The minutes of the July 19, 2002 meeting were approved as presented.

Executive Director's Report

John-Mark Hack, CEO, welcomed everyone. Mr. Hack also noted that the second Kentucky Agricultural Development Board meeting occurred here in this room two years ago.

Mr. Hack reviewed each of the items on the Board's meeting agenda. Mr. Hack requested that, if there were no objections, the agenda be altered and have Project Review items come before the presentations. There was no objection.

Mr. Hack announced the release of the new County Council Prioritization Sheet and the new Model Program Application. Copies of each were distributed to the Board. *(A copy of each is on file with the Secretary.)*

Mr. Hack also mentioned that responses to the RFPs for aquaculture, meat goats and dairy goats are in and will be awarded soon. He also mentioned that the RFP for the comprehensive marketing study would be developed soon.

Susan Harkins inquired as to the topics of all current studies. Mr. Hack responded: edible soybeans, meat/dairy goats, aquaculture, vermiculture and the comprehensive market study. He noted that proposals for studies on small berries and blueberries are being developed, but have not been brought to the board.

Eddie Sellers asked what is going to be done with the wine study information and any other studies. Mr. Hack noted that the wine study is something that should be an agenda item to discuss possibly in September; there are policy decisions to be made regarding investments in winery establishment and new vineyard establishment.

Ms. Harkins asked if we needed to facilitate a meeting of the grape organizations to discuss the study and put together a strategy before we make any policies. David Bratcher mentioned that the Grape & Wine Council established by the General Assembly in 2002 has not yet been appointed. Ms. Harkins noted that the establishment of this Council needs to be moved along. Discussion followed regarding communication within the wine/grape industry and what the role of the Council should be as mentioned in the wine study.

Referral of August Projects¹

Mr. Hack presented projects A2002-0501 through A2002-0523 for referral to the Board's Project Review Committees. Sam Moore moved that "projects A2002-0450 through A2002-0500 be referred to the Board's Project Review Committees;" Susan Harkins seconded the motion. The motion passed without dissent.

Approval of Model Programs²

Mr. Hack submitted projects A2002-0500, A2002-0436, A2002-0480, A2002-0466 and A2002-0487 as projects meeting the model **Agricultural Diversification Program** guidelines. Danny Case moved that same be approved as model Agricultural

¹ A detailed list of the referred projects is attached as Appendix A.

² A detailed list of projects funded under each model program category is attached as Appendix B.

Diversification programs; Susan Harkins seconded the motion. The motion passed without dissent.

Mr. Hack submitted projects A2002-0453, A2002-0469, A2002-0481, and A2002-0486 as projects meeting the model **Forage Improvement & Utilization Program** guidelines. Smith Mitchell moved that projects same be approved as model Forage Improvement & Utilization Programs; Susan Harkins seconded the motion. The motion passed without dissent.

Mr. Hack submitted projects A2002-0470 and A2002-0488 as projects meeting the model **Genetics Improvement Program** guidelines. Sam Moore moved that projects A2002-0470 and A2002-0488 be approved as a model Cattle Genetics Improvement Program; Susan Harkins seconded the motion. The motion passed without dissent.

Mr. Hack submitted projects A2002-0498, A2002-0309, A2002-0455, and A2002-0450 as projects meeting the model **Goat Diversification Program** guidelines. Vickie Yates Brown moved that projects same be approved as model Goat Diversification Programs; Danny Case seconded the motion. The motion passed without dissent.

Mr. Hack submitted projects A2002-0451³, A2002-0497, A2002-0465, A2002-0463, A2002-0468, A2002-0485, A2002-0473, and A2002-0479 as projects meeting the model **Cattle Handling Facilities Program** guidelines. Dean Scott Smith moved that projects same be approved as model Cattle Handling Facilities Programs; Danny Case seconded the motion.

Discussion

Mr. Hack reported that during the Kentucky Agriculture Council meeting comments were made that the impact of the model programs is being felt, even by the support organizations and businesses involved in agriculture.

Commissioner Smith commented on the multiplier effect that the programs have on rural communities.

The motion passed without dissent.

Committee Reports

Blue Project Review Committee

Vickie Yates Brown reported for the Blue Project Review Committee (PRC). Ms. Brown noted that the Blue PRC is presenting two projects for funding consideration.

Ms. Brown presented application **A2002-0148**. The project received a high priority from Lincoln County. The applicant, **Lincoln County High School**, requests \$38,000 in county Phase I Funds. Funds are being requested to assist in the construction of a greenhouse at Lincoln County High School. The greenhouse will enable present and future farmers learn

³ Note this project was inadvertently included in the program list for August. This project was approved at the July 19, 2002 meeting.

new and innovative techniques for commercial horticulture production. The greenhouse will also allow the applicant to provide adult education classes, which will be comprised of farmers who suffer from a decreasing tobacco income and who want to enhance their present agricultural knowledge with new and innovative farming techniques. Ms. Brown moved that project A2002-0148 be approved for \$38,000 in Lincoln County Phase I funds; Eddie Sellers seconded the motion. The motion passed without dissent.

Ms. Brown presented application **A2002-0476**. The applicant, **The Little Kentucky Smokehouse**, requests \$950,000 of state Phase I Funds. Union County Livestock and its subsidiary Little Kentucky Smokehouse, LLC, propose to build a \$2.45 million meat processing plant with an annual capacity of 10-12 million pounds. The plant would produce a source-verified, quality controlled, vacuum bagged, pasteurized, labeled and bar-coded product that would meet national and international trade standards. The owners of Union County Livestock, Jimmy & Linda Baird, David Simmons and John Sharp are long-time residents of Union County who have been successful hog farmers and meat processors. Product would initially be sourced from the Central Kentucky Hog Marketing Association and producers would earn \$5.00 per cwt premium over market price for providing hormone and antibiotic free hogs that have not been fed reprocessed animal tissue. Ms. Brown noted the conditions and pointed out that this is a forgivable loan for a term of 10 years. Ms. Brown moved that project A2002-0476 be approved for \$950,000 in state Phase I Funds; Susan Harkins seconded the motion.

Discussion

Commissioner Smith commented that this was a unique deal.

Ms. Brown recognized the Bairds as being present and available to answer questions.

Dean Smith asked about the arrangement with the Central Kentucky Hog Marketing Association (CKHMA) and if that was a long-term deal. Mr. Baird stated that CKHMA was not a sole source and others would be sought out. The arrangement with CKHMS is an agreement to cooperate, not a contract.

Dean Smith noted that UK's agricultural economists had positive comments about this project and its importance. If there is some objection to this on the basis that not a lot of farmers are involved initially, we have got to have profitable enterprises before we have a large number of farmers involved. Dean Smith expressed his support for the proposal.

Sam Lawson commented that if we want a poster project to hold up across the state, then he feels this is it. Mr. Lawson expressed his support of the project.

Commissioner Smith expressed his support of the project.

The motion passed without dissent.

Red Project Review Committee

Sam Lawson reported for the Red Project Review Committee (PRC). Mr. Lawson noted that the Red PRC is presenting two projects for funding consideration.

Mr. Lawson presented application **A2002-0207**. The project received a high priority from Grayson County. The applicant, **Otis Bryant & Son, Inc.**, requests \$32,500 of Grayson County Phase I Funds. The funds will be used for the purchase of soybean roasting equipment. The equipment would enable the processing of locally grown soybeans and grains into high-energy animal feeds, while increasing Grayson County's oilseed and small grain production. Additionally, this will increase the cost paid per bushel through transportation savings. The applicant would commit to five-years operating the roasting equipment, agree to purchase 80% of the total grains used in the roaster from Grayson County farmers, and would accept product from smaller grain producers. Mr. Lawson moved that project A2002-0207 be approved for \$32,500 in Grayson County Phase I Funds; Sam Moore seconded the motion. The motion passed without dissent.

Mr. Lawson presented application **A2002-0495**. The project received a high priority from Menifee County. The applicant, **East Kentucky Beef Cattle Council**, requests \$5,000 of Menifee County Phase I Funds. These funds represent Menifee County's contribution to the East Kentucky Heifer Development project (A2001-0403) in Perry County. Mr. Lawson moved that project A2002-0495 be approved for \$5,000 in Menifee County Phase I funds; Susan Harkins seconded the motion. The motion passed without dissent.

Review of Amendments

Mr. Lawson presented the following amendment for approval.

Application **A2002-0426, Cumberland County Farm Bureau**, \$28,000 in Cumberland County Phase I Funds. Original amount approved on July 19, 2002. Due to a clerical error, the amount should have been for \$30,380. This is an increase of \$2,380 added to the originally approved amount for Handling Facilities Program. Mr. Lawson moved that the amendment to A2002-0426 be approved; Susan Harkins seconded the motion. The motion passed without dissent.

Recommendations for No-Funding⁴

Mr. Hack presented projects A2002-0217, A2002-0416, A2002-0425, A2002-0454, A2002-0457, A2002-0484 and A2002-0499 as projects recommend for no-funding by the project review committees. Commissioner Smith asked if it was likely that any of these projects would resubmit. Mr. Hack noted that 0416 was being directed to the diversification program and would likely resubmit. Sam Lawson moved that no funding be awarded to same; Danny Case seconded the motion. The motion passed without dissent.

⁴ Detailed list of projects for a no-funding recommendation listed in Appendix C.

Rural Land Management Board - Update

Mr. Hack introduced Lexington Mayor, Pam Miller. Mayor Miller thanked the Board for letting them be here and thanked them for last year's approval of their project. Mayor Miller shared with the Board that the Purchase of Development Right (PDR) program has received national media attention. They are in their second year of the program. Mayor Miller provided a brief overview of the program and then introduced Margaret Graves, Chair of the Rural Land Management Board.

Ms. Graves introduced Maner Ferguson as the person in charge of the program.

Ms. Graves presented their program's progress report, along with some background material, in a PowerPoint slide show. *(Copy of slide show handout on file with the Secretary.)*

In the first round, 37 applications were received. Of those 37 applications, easements have been purchased on 14 (2,142 acres), 9 are under contract (1,398 acres), 3 still considering the offer, and 11 withdrew. The acreage of the 23 farms that have closed or are about to close on the deal totals 3,540.1 acres. Of these protected acres, 13 are classified as "general agriculture," 7 are "equine," and 3 are "other."

Summary of First Round Results (once all contracts completed)

?? Total Acres Purchased: 3,541.1 acres

?? Total Easement Costs: ~\$8.65 million⁵

?? Local Funds Used: ~\$4.25 million

?? State Funds Used: ~\$4.25 million

?? Federal Funds to be used: \$150,000

?? Average Cost Per Acre: \$2,442.02

In the second round, over 700 applications were mailed to qualified owners. 105 applications were received in May, totaling 10,800 acres. Staff has ranked the farms and is in the process of site visits.

Ms. Graves recognized Colonel Davis and Don Slagel, both PDR participants, as being present and available to answer questions.

Ms. Graves opened the floor to questions.

Dean Smith – Do we know enough about the Farm Bill programs related to purchase of development rights programs/conservation easement programs to know if PACE or PDR are eligible for substantial matching?

Ms. Graves responded that yes both programs are eligible - \$50 million for this fiscal year and more in subsequent years. Both programs have applied.

Commissioner Smith: Has any property been donated? Ms. Graves responded that to date there had been no donated land. They are working on some, but nothing negotiated, yet.

⁵ Land cost only. Does not include closing fees.

Don Slagel and Colonel Horace Davis both addressed the board and noted the location of their farms on the Fayette County map.

Susan Harkins: what advice would you give other counties? Ms. Graves responded: Take inventory; what is best and most strategic to conserve?; if you don't have, you need planning & zoning; this is a long-term effort; they are happy to help other counties.

Mr. Ferguson explained the formula used to determine the rate offered to applicants.

Mayor Miller thanked everyone.

Kentucky Center for Cooperative Development – Update

Mr. Hack introduced Larry Snell, Executive Director for the Kentucky Center for Cooperative Development (KCCD).

Mr. Snell thanked the Board for the opportunity to speak to them. Mr. Snell provided an overview of what KCCD has been doing and with what groups they have been working. He distributed a brochure and a list of the groups KCCD is assisting. *(These documents are on file with the Secretary.)*

Mr. Snell briefed the Board on the major partner contributions: Kentucky Agricultural Development Board, USDA Rural Development, University of Kentucky, and Kentucky Department of Agriculture. He discussed the various aspects of a cooperative and the importance of member commitment to the cooperative.

Mr. Snell stated that they press upon anyone who mentions forming a cooperative and building a facility that they need to understand the what the markets are for what they produce and for what they want to produce.

The Kentucky Center for Cooperative Development is composed of a director, an administrative specialist and two field specialists. Their headquarters is in the Nolin RECC building in Elizabethtown, KY.

Mr. Snell asked that the Board direct anyone who mentions interest in forming a cooperative to KCCD, so that they can be involved from the ground floor.

Mr. Hack, Agricultural Development Board representative to KCCD, commented that this program represents an investment in the Board's other Phase I investments; 12 groups that KCCD is advising have received Phase I funds.

Other Business

Mr. Hack yielded the floor to Dean Smith. Dean Smith clarified some media stories that were not entirely accurate.

- 1) New federal funding in excess of \$1,000,000: not restricted to Mare Reproductive Loss Syndrome & equine; recurring program that can be used for beef systems, dairy heifer replacement, goats, equine
- 2) Development in Fayette County – UK Criticized for selling a portion of the South Farm (Horticulture Research Farm) near Fayette Mall. It was 1/10 of the acreage of the South Farm (~20 acres), isolated by railroad and surrounded by high development. The money will be put back into the enhancement of the South Farm, not agricultural scholarships or other uses.

Mr. Hack spoke on market development initiatives, as DeVon Hankins, Strategic Marketing Coordinator for the Governor's Office of Agricultural Policy, distributed a compilation of all the Board's market development investments to-date.

Closing Remarks

Mr. Hack mentioned that the Governor's Office of Agricultural Policy has a booth at the State Fair in the South Wing. He invited everyone to visit the booth, which will feature some of the projects funded by the Agricultural Development Fund.

Mr. Hack yielded the floor to Gordon Duke, Chief Financial Officer of the Governor's Office of Agricultural Policy. Mr. Duke addressed the Board, thanked them and expressed his gratitude for the last 21 months. Mr. Duke announced that he is leaving the Governor's Office at the end of August to join the Office of the New Economy. He commended the Board for their outstanding job and bragged on the Board's staff.

Mr. Hack spoke about how he had met Mr. Duke and brought him to the Governor's Office. He also shared the importance of Mr. Duke to the Kentucky Agricultural Development Board and the Governor's Office of Agricultural Policy. Mr. Duke's service will be honored at the next Board meeting.

Commissioner Smith noted that October 4 – 9 the National State Agriculture Commissioner convention will be held in Lexington. The Board will be invited to a special dinner/event during the convention.

Commissioner Smith recognized Jimmy Baird, Little Kentucky Smokehouse, who thanked the Board members for funding his project.

Susan Harkins announced that shrimp harvest season was about to begin and announced that WUKY was sponsoring the 1st Annual Central Kentucky Shrimp Festival, 7:00 p.m., at the Red Mile Paddock on September 20.

Mr. Hack invited everyone to watch his early morning interview on WHAS Good Morning Kentuckiana at 5:30 a.m. Thursday, August 22.

The next meeting of the Kentucky Agricultural Development Board will convene at 10:00 a.m. on Friday, September 20, 2002 at University of Kentucky's E.S. Goodbarn, Lexington, Kentucky.

The meeting adjourned at 1:45 p.m.

APPROVED: _____

PRESIDING OFFICER: _____

SECRETARY: _____

APPENIDIX A

Referred to Project Review Application Numbers A2002-0501 to A2002-0523

Appl #	Project Name
A2002-0501	Owen County Farm Bureau
A2002-0502	Owen County Farm Bureau
A2002-0503	Owen County Farm Bureau
A2002-0504	Licking River Valley RC&D Council, Inc.
A2002-0505	Brooksville Meat Fabrication Center, Inc.
A2002-0506	Thorn BioScience
A2002-0507	Cumberland County Farm Bureau Dup. of 426
A2002-0508	Germantown Fair Board
A2002-0509	Lawrence County Conservation District
A2002-0510	Harrison County Beef Cattle Association
A2002-0511	Garrard County Conservation District
A2002-0512	Carroll County Agriculture Development Fund, Inc.
A2002-0513	Breathitt County Conservation District
A2002-0514	Duplicate
A2002-0515	Duplicate
A2002-0516	Laurel County Cattleman's Association
A2002-0517	Marshall County Conservation District
A2002-0518	Marshall County Conservation District
A2002-0519	Southern Kentucky Agriculture Development
A2002-0520	Marshall County Conservation District
A2002-0521	The Elements Enterprises, LLC
A2002-0522	Mt. Sterling/Montgomery County Industrial Authority
A2002-0523	Marshall County Conservation District

APPENIDIX B

Model Program Lists

Agricultural Diversification

<i>App #</i>	<i>Project Name</i>	<i>County</i>	<i>County Funds</i>
A2002-0500	Boone County Farmers Market Association	Boone	\$88,400.00
A2002-0436	Franklin County Cattlemen's Association, Inc.	Franklin	\$38,000.00
A2002-0480	LaRue County Dairy Association, Inc.	Larue	\$78,750.00
A2002-0466	Mason County Ag. Advancement Council	Mason	\$66,000.00
A2002-0487	Scott County Beef Improvement	Scott	\$31,500.00
			\$302,650.00

Forage Improvement

<i>App #</i>	<i>Project Name</i>	<i>County</i>	<i>County Funds</i>
A2002-0453	Garrard County Farm Bureau	Garrard	\$47,250.00
A2002-0469	Green River Area Beef Improvement Group, Inc.	McLean	\$21,961.00
A2002-0481	Nicholas County Fiscal Court - Amendment	Nicholas	(\$50,000.00)
A2002-0486	Scott County Beef Improvement	Scott	\$31,500.00
			\$100,711.00⁶

Genetics Improvement

<i>App #</i>	<i>Project Name</i>	<i>County</i>	<i>County Funds</i>
A2002-0470	Green River Area Beef Improvement Group, Inc.	McLean	\$21,961.00
A2002-0488	Scott County Beef Improvment	Scott	\$63,000.00
			\$84,961.00

Goat Diversification Program

<i>App #</i>	<i>Project Name</i>	<i>County</i>	<i>County Funds</i>
A2002-0498	Fort Harrod Goat Association Inc.	Garrard	\$21,000.00
A2002-0309	Hart County Goat Producers Assoc.	Hart	\$50,000.00
A2002-0455	Eastern Kentucky Goat Producers, Inc.	Jackson	\$10,500.00
A2002-0450	Buffalo Trace Area Development District	Robertson	\$15,000.00
			\$96,500.00

⁶ Excludes the reduction in Nicholas County's forage program.

APPENIDIX B

Model Program Lists

Handling Facilities Cost Share

<i>App #</i>	<i>Project Name</i>	<i>County</i>	<i>County Funds</i>
A2002-0451	Clark County Livestock & Forage Council	Clark	\$40,000.00
A2002-0497	Grayson County Cattlemen's Association	Grayson	\$30,000.00
A2002-0465	Mason County Livestock Improvement Association	Mason	\$66,000.00
A2002-0463	Jackson Purchase Foundation	McCracken	\$5,067.00
A2002-0468	Green River Area Beef Improvement Group, Inc.	McLean	\$21,961.00
A2002-0485	Scott County Beef Improvement Association	Scott	\$31,500.00
A2002-0473	Spencer County Farm Bureau	Spencer	\$45,000.00
A2002-0479	Wolfe County Conservation District	Wolfe	\$25,600.00
			\$265,128.00

APPENIDIX C
Recommendations for No Funding

<i>App #</i>	<i>Project Name</i>	<i>County</i>
A2002-0217	VITALAC, INC	Graves
A2002-0416	Kentucky Sheep and Wool Producers	Fayette
A2002-0425	Woodford County High School Agriculture Department	Woodford
A2002-0454	Cartersville Slaughter and Processing Plant, Inc.	Garrard
A2002-0457	Ft. Harrod Goat Association, Inc.	Franklin
A2002-0484	Bath County Fiscal Court	Bath
A2002-0499	Mason County Agricultural Advancement Council	Mason